

*Alexander Hamilton*  
**OFFICIAL REPORTS**

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ON

**PUBLICK CREDIT,**

A

**NATIONAL BANK,**

**MANUFACTURES,**

AND

**A MINT.**

BY ALEXANDER HAMILTON.

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**PHILADELPHIA:**

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## P R E F A C E.

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**O**F ALEXANDER HAMILTON it may be said, nothing came from his pen or his lips which should not be treasured up with care. But as the publishers had limited the present work to three volumes, they were solicitous to make the selection such as should prove most useful. In pursuit of this object they have been governed by the opinions of gentlemen well qualified to judge; and they indulge the belief that the public will fully sanction that judgment.

The first volume comprises the most important OFFICIAL REPORTS of that GREAT MAN, while Secretary of the Treasury of the United States.

In these documents are constellated more than the learning and the wisdom of other days. The native, the original conceptions of his creative genius, give life and light to every subject. Every page bears its own peculiar testimony to the vastness of his mind—the soundness of his judgment—the clearness of his views—and the integrity of his heart. The humblest peasant, who loves his country and participates in her weal and wo, as well as the statesman and politician whose feelings and interests are more particularly identified with the subject, will read these Reports with mingled wonder and delight.

The second and third volumes contain **THE FEDERALIST**, which was written shortly after the promulgation of the New Constitution, and addressed to the people of the state of New-York, with the view of explaining its principles, and enforcing the propriety and necessity of its adoption. The papers first appeared in the *Gazettes* of this city, in the order in which they are now published, and have since passed through two editions.

It had long been known that the **FEDERALIST** was not exclusively from the pen of Mr. Hamilton. Mr. Jay and Mr. Madison shared in the labour and the honour of these profound disquisitions. But it was not ascertained with any degree of certainty, which, or how many numbers were written by either of these gentlemen, till after the lamented death of Hamilton, when a private memorandum in his own hand-writing was found, containing the information which enables the publishers to designate with precision the authors of the several essays: Their names are accordingly prefixed to their respective productions in the body of the work. From these it appears, that five of the numbers were written by Mr. Jay, fourteen by Mr. Madison, three by Mr. Madison and Mr. Hamilton jointly, and sixty-four by Mr Hamilton alone.

“As all parties seem at length united in professions of regard for the Constitution; if they are sincere, this consideration cannot fail to enhance the value of a work which, by employing in its favour all the energy of argument, and all the per-

suation of eloquence, was eminently useful in promoting its general ratification."

"Whoever is desirous of being well informed of the principles and provisions of our Government, and the manner in which they have been supported and vindicated; of the objections that were made to the Constitution by its first opposers; and how they were answered, will find in the *Federalist* ample and satisfactory instruction. The study of this work must form an essential part of the American statesman\*. Politicians, indeed, of every country, will here discover materials in the science of government well worthy their attention—a science, of all others the most interesting to mankind, as it most deeply concerns human happiness. The *Federalist* contains principles that may be remembered and studied with advantage by all classes of men, in other countries than our own, and in other ages than that in which we live. The people of America alone have afforded the example of a republic purely representative. In this work it will appear, that this form of government has been well understood, and

\* To the honour of our country, the respectable College in Providence, Rhode-Island, has introduced the *FEDERALIST* into the course of academic studies, as containing the best commentary on the principles of free government that can be found. It were well had other seminaries followed this example. The best results might be expected, if those who are to direct the future destinies of this vast empire, were early made familiar with political truths, so clear, practical, and demonstrative.

thoroughly developed; and if, unfortunately, the experiment which we have made should hereafter fail, vain will be the attempt to renew similar systems; for no reasonable hope can be entertained, that more correct notions on this subject will prevail than are here exhibited."

"*PACIFICUS* is from the pen of the same enlightened statesman, ~~who was the chief author of the Federalist~~. These essays were written in defence of the first leading step which our government took to preserve the neutrality it continued to maintain during the late transatlantic conflict, which seems to have annihilated the minor powers of Europe, and has shaken the civilized world."

"Now that the storm has passed over, and the angry and tumultuous passions which at that time agitated our country, have in some measure subsided, these papers will be read with pleasure and profit, by the intelligent man of every party. Candour will probably wonder, that any one should have doubted of the fitness of those measures which this writer has so ably advocated, and which experience has so forcibly proved to have been the best adapted to the interests of the country. In what condition should we now have been, had our government given way to the enthusiasm which at that time swelled the bosoms of our countrymen in favour of the French revolution? If it had been suffered to pursue its own course, we should have been hurried into a war which would have added us to the victims of

folly and perfidy, which have been produced as well by Gallic alliance, as by Gallic conquest. Every considerate man will therefore admire the wisdom which foresaw so dreadful a consequence, and the firmness which guarded us from it, by arresting at once the mad career of popular delusion."

While Publius and Pacificus serve to keep in just remembrance two very important events in the history of our country, the "official reports" of the first Secretary of the Treasury, will form a sort of *text-book* for his successors through distant ages. Indeed, wherever the principles of free government are rightly understood, and rational liberty is rationally enjoyed, there will the memory and the writings of Hamilton be consecrated in the affections of an enlightened and admiring people. Legislators, Statesmen, and Financiers, will draw wisdom from this fountain; and posterity, long, long after the pigmy race of philosophical dreamers and visionary politicians shall have sunk into oblivion, will rise up and call him blessed.

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**REPORT**  
ON  
**THE ESTABLISHMENT**  
OF A  
**MINT.**

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*The SECRETARY of the TREASURY, having attentively considered the subject referred to him by the order of the HOUSE OF REPRESENTATIVES, of the fifteenth day of April last, relative to the establishment of a MINT, most respectfully submits the result of his inquiries and reflections.*

**A** PLAN for an establishment of this nature, involves a great variety of considerations, intricate, nice, and important. The general state of debtor and creditor ; all the relations and consequences of PRICE ; the essential interests of trade and industry ; the value of all property ; the whole income, both of the state and of individuals, are liable to be sensibly influenced, beneficially, or otherwise, by the judicious, or injudicious regulation of this interesting object.

It is one, likewise, not more necessary than difficult to be rightly adjusted ; one which has frequently occupied the reflections and researches of politicians, without having harmonized their opinions on some of the most important of the principles which en-



ter into its discussion. Accordingly, different systems continue to be advocated, and the systems of different nations, after much investigation, continue to differ from each other.

But if a right adjustment of the matter be truly of such nicety and difficulty, a question naturally arises, whether it may not be most adviseable to leave things, in this respect, in the state in which they are? Why, might it be asked, since they have so long proceeded in a train, which has caused no general sensation of inconvenience, should alterations be attempted, the precise effect of which cannot with certainty be calculated?

The answer to this question is not perplexing.—The immense disorder which actually reigns in so delicate and important a concern, and the still greater disorder which is every moment possible, call loudly for a reform. The dollar, originally contemplated in the money transactions of this country, by successive diminutions of its weight and fineness, has sustained a depreciation of five per cent. And yet the new dollar has a currency in all payments in place of the old, with scarcely any attention to the difference between them. The operation of this, in depreciating the value of property depending upon past contracts, and, (as far as inattention to the alteration in the coin may be supposed to leave prices stationary,) of all other property, is apparent. Nor can it require argument to prove, that a nation ought not to suffer the value of the property of its citizens to fluctuate with the fluctuations of a foreign mint, and to change with the changes in the regulations of a foreign sovereign. This, nevertheless, is the condition of one, which having no coins of its own,

adopts with implicit confidence those of other countries.

The unequal values allowed in different parts of the union to coins of the same intrinsic worth; the defective species of them, which embarrass the circulation of some of the states; and the dissimilarity in their several monies of account, are inconveniences, which, if not to be ascribed to the want of a national coinage, will at least be most effectually remedied by the establishment of one; a measure that will at the same time give additional security against impositions by counterfeit, as well as by base currencies.

It was with great reason, therefore, that the attention of Congress, under the late confederation, was repeatedly drawn to the establishment of a mint; and it is with equal reason that the subject has been resumed; now that the favourable change which has taken place in the situation of public affairs, admits of its being carried into execution.

But though the difficulty of devising a proper establishment ought not to deter from undertaking so necessary a work; yet it cannot but inspire diffidence in one, whose duty it is made to propose a plan for the purpose; and may perhaps be permitted to be relied upon as some excuse for any errors which may be chargeable upon it, or for any deviations from sounder principles, which may have been suggested by others, or even in part acted upon by the former government of the United States.

In order to a right judgment of what ought to be done, the following particulars require to be discussed:

1st. What ought to be the nature of the money unit of the United States?

2d. What the proportion between gold and silver, if coins of both metals are to be established?

3d. What the proportion and composition of alloy in each kind?

4th. Whether the expense of coinage shall be defrayed by the government, or out of the material itself?

5th. What shall be the number, denominations, sizes, and devices of the coins?

6th. Whether foreign coins shall be permitted to be current or not? if the former, at what rate, and for what period?

A pre-requisite to determining with propriety what ought to be the money unit of the United States, is to endeavour to form as accurate an idea as the nature of the case will admit, of what it actually is. The pound, though of various value, is the unit in the money of account of all the States. But it is not equally easy to pronounce what is to be considered as the unit in the coins. There being no formal regulation on the point, (the resolutions of Congress of the 6th of July, 1785, and 8th of August, 1786, having never yet been carried into operation,) it can only be inferred from usage or practice. The manner of adjusting foreign exchanges, would seem to indicate the dollar as best entitled to that character. In these, the old piastre of Spain; or old Seville piece of eight rials, of the value of four shillings and six pence sterling, is evidently contemplated. The computed par between Great-Britain and Pennsylvania, will serve as an example. According to that, one hundred pounds sterling is equal to one hundred and sixty-six pounds and two-thirds of a pound Pennsylvania currency; which corresponds with the proportion between four shillings and six pence ster-

ling, and seven shillings and six pence, the current value of the dollar in that state, by invariable usage. And as far as the information of the Secretary goes, the same comparison holds in the other States.

But this circumstance in favour of the dollar, loses much of its weight from two considerations. That species of coin has never had any settled or standard value, according to weight or fineness; but has been permitted to circulate by tale without regard to either; very much as a mere money of convenience; while gold has had a fixed price by weight, and with an eye to its fineness. This greater stability of value of the gold coins, is an argument of force for regarding the money unit as having been hitherto virtually attached to gold, rather than to silver.

Twenty-four grains, and six-eighths of a grain of fine gold, have corresponded with the nominal value of the dollar in the several states; without regard to the successive diminutions of its intrinsic worth.

But if the dollar should, notwithstanding, be supposed to have the best title to being considered as the present unit in the coins, it would remain to determine what kind of dollar ought to be understood; or, in other words, what precise quantity of fine silver.

The old piastre of Spain, which appears to have regulated our foreign exchanges, weighed 17 dwt. 12 grains, and contained 386 grains and 15 mites of fine silver. But this piece has been long since out of circulation. The dollars now in common currency are of recent date, and much inferior to that both in weight and fineness. The average weight of them, upon different trials in large masses, has been found to be 17 dwt. 8 grains. Their fineness is less precisely

ascertained; the results of various assays, made by different persons, under the direction of the late superintendant of the finances, and of the Secretary, being as various as the assays themselves. The difference between their extremes is not less than 24 grains in a dollar of the same weight and age; which is too much for any probable differences in the pieces. It is rather to be presumed, that a degree of inaccuracy has been occasioned by the want of proper apparatus, and, in general, of practice. The experiment which appears to have the best pretensions to exactness, would make the new dollar to contain 370 grains and 933 thousandth parts of a grain of pure silver.

According to an authority, on which the Secretary places reliance, the standard of Spain for its silver coin, in the year 1761, was 261 parts fine, and 27 parts alloy; at which proportion, a dollar of 17 dwt. 8 grains, would consist of 377 grains of fine silver, and 39 grains of alloy. But there is no question that this standard has been since altered considerably for the worse: to what precise point, is not as well ascertained as could be wished; but from a computation of the value of dollars in the markets both of Amsterdam and London, (a criterion which cannot materially mislead,) the new dollar appears to contain about 368 grains of fine silver, and that which immediately preceded it, about 374 grains.

In this state of things, there is some difficulty in defining the dollar, which is to be understood as constituting the present money unit; on the supposition of its being most applicable to that species of coin. The old Seville piece of 386 grains and 15 mites fine, comports best with the computations of foreign exchanges, and with the more ancient con-

tracts, respecting landed property ; but for the greater number of contracts still in operation concerning that kind of property, and all those of a merely personal nature, now in force, must be referred to a dollar of a different kind. The actual dollar at the time of contracting is the only one which can be supposed to have been intended ; and it has been seen, that as long ago as the year 1761, there had been a material degradation of the standard. And even in regard to the more ancient contracts, no person has ever had any idea of a scruple about receiving the dollar of the day, as a full equivalent for the nominal sum, which the dollar originally imported.

A recurrence, therefore, to the ancient dollar would be, in the greatest number of cases, an innovation *in fact*, and in all, an innovation in respect to opinion. The actual dollar, in common circulation, has evidently a much better claim to be regarded as the actual money unit.

The mean intrinsic value of the different kinds of known dollars, has been intimated as affording the proper criterion. But when it is recollected, that the more ancient and more valuable ones are not now to be met with at all in circulation ; and that the mass of those generally current, is composed of the newest and most inferior kinds ; it will be perceived, that even an equation of that nature would be a considerable innovation upon the real present state of things ; which it will certainly be prudent to approach, as far as may be consistent with the permanent order designed to be introduced.

An additional reason for considering the prevailing dollar as the standard of the present money unit, rather than the ancient one, is, that it will not only be conformable to the true existing proportion between

the two metals in this country, but will be more conformable to that which obtains in the commercial world generally.

The difference established by custom in the United States between coined gold and coined silver, has been stated, upon another occasion, to be nearly as 1 to 15.6. This, if truly the case, would imply that gold was extremely over-valued in the United States; for the highest *actual proportion* in any part of Europe, very little, if at all, exceeds 1 to 15; and the average proportion throughout Europe is probably not more than about 1 to 14.8. But that statement has proceeded upon the idea of the ancient dollar. One penny-weight of gold of 22 carrats fine, at 6s. 8d. and the old Seville piece of 386 grains and 15 mites of pure silver, at 7s. 6d. furnish the exact ratio of 1 to 15.6262. But this does not coincide with the real difference between the metals, in our market, or, which is with us the same thing, in our currency. To determine this, the quantity of fine silver in the general mass of the dollars now in circulation, must afford the rule. Taking the rate of the late dollar of 374 grains, the proportion would be as 1 to 15.11. Taking the rate of the newest dollar, the proportion would then be as 1 to 14.87. The mean of the two would give the proportion of 1 to 15 very nearly; less than the legal proportion in the coins of Great-Britain, which is as 1 to 15.2; but somewhat more than the actual or market proportion, which is not quite 1 to 15.

The preceding view of the subject does not indeed afford a precise or certain definition of the present unit in the coins, but it furnishes data, which will serve as guides in the progress of the investigation. It ascertains, at least, that the sum in the mo-

ney of account of each state, corresponding with the nominal value of the dollar in such state, corresponds also with 24 grains and six-eighths of a grain of fine gold, and with something between 368 and 374 grains of fine silver.

The next inquiry towards a right determination of what ought to be the future money unit of the United States, turns upon these questions—Whether it ought to be peculiarly attached to either of the metals, in preference to the other, or not; and if to either, to which of them?

The suggestions and proceedings hitherto have had for their object the annexing of it emphatically to the silver dollar. A resolution of Congress of the 6th of July, 1785, declares that the money unit of the United States shall be a dollar; and another resolution of the 8th of August, 1786, fixes that dollar at 375 grains and 64 hundredths of a grain of fine silver. The same resolution, however, determines, that there shall also be two gold coins, one of 246 grains and 268 parts of a grain of pure gold, equal to ten dollars; and the other of half that quantity of pure gold, equal to five dollars. And it is not explained, whether either of the two species of coins, of gold or silver, shall have any greater legality in payments, than the other. Yet it would seem, that a preference in this particular is necessary to execute the idea of attaching the unit exclusively to one kind. If each of them be as valid as the other, in payments to any amount, it is not obvious, in what effectual sense either of them can be deemed the money unit, rather than the other.

If the general declaration, that the dollar shall be the money unit of the United States, could be understood to give it a superior legality in payments; the



institution of coins of gold, and the declaration that each of them shall be *equal* to a certain number of dollars, would appear to destroy that inference: And the circumstance of making the dollar the unit in the money of account, seems to be rather matter of form than of substance.

Contrary to the ideas which have heretofore prevailed, in the suggestions concerning a coinage for the United States, though not without much hesitation, arising from a deference for those ideas, the Secretary is, upon the whole, strongly inclined to the opinion, that a preference ought to be given to neither of the metals for the money unit. Perhaps, if either were to be preferred, it ought to be gold rather than silver.

The reasons are these—

The inducement to such a preference is to render the unit as little variable as possible; because on this depends the steady value of all contracts, and, in a certain sense, of all other property. And it is truly observed, that if the unit belong indiscriminately to both the metals, it is subject to all the fluctuations that happen in the relative value which they bear to each other. But the same reason would lead to annexing it to that particular one which is itself the least liable to variation; if there be, in this respect, any discernible difference between the two.

Gold may, perhaps, in certain senses, be said to have greater stability than silver: As being of superior value, less liberties have been taken with it in the regulations of different countries. Its standard has remained more uniform, and it has in other respects undergone fewer changes: as being not so much an article of merchandize, owing to the use made of silver in the trade with the East-Indies and

China, it is less liable to be influenced by circumstances of commercial demand. And if reasoning by analogy, it could be affirmed, that there is a physical probability of greater proportional increase in the quantity of silver than in that of gold, it would afford an additional reason for calculating on greater steadiness in the value of the latter.

As long as gold, either from its intrinsic superiority as a metal, from its greater rarity, or from the prejudices of mankind, retains so considerable a pre-eminence in value over silver as it has hitherto had, a natural consequence of this seems to be, that its condition will be more stationary. The revolutions, therefore, which may take place in the comparative value of gold and silver, will be changes in the state of the latter, rather than in that of the former.

If there should be an appearance of too much abstraction in any of these ideas, it may be remarked, that the first and most simple impressions do not naturally incline to giving a preference to the inferior or least valuable of the two metals.

It is sometimes observed, that silver ought to be encouraged rather than gold, as being more conducive to the extension of bank circulation, from the greater difficulty and inconvenience which its greater bulk, compared with its value, occasions in the transportation of it. But bank circulation is desirable rather as an *auxiliary to*, than as a *substitute for*, that of the precious metals; and ought to be left to its natural course. Artificial expedients to extend it, by opposing obstacles to the other, are at least not recommended by any very obvious advantages. And in general, it is the safest rule, to regulate every particular institution or object, according to the principles which, in relation to itself, appear the most

sound. In addition to this, it may be observed, that the inconvenience of transporting either of the metals, is sufficiently great to induce a preference of bank paper, whenever it can be made to answer the purpose equally well.

But, upon the whole, it seems to be most advisable, as has been observed, not to attach the unit exclusively to either of the metals; because this cannot be done effectually, without destroying the office and character of one of them as money, and reducing it to the situation of a mere merchandise; which, accordingly, at different times has been proposed from different and very respectable quarters; but which would probably be a greater evil than occasional variations in the unit, from the fluctuations in the relative value of the metals; especially if care be taken to regulate the proportion between them, with an eye to their average commercial value.

To annul the use of either of the metals as money, is to abridge the quantity of circulating medium; and is liable to all the objections which arise from a comparison of the benefits of a full, with the evils of a scanty circulation.

It is not a satisfactory answer to say, that none but the favoured metal would, in this case, find its way into the country, as in that all balances must be paid. The practicability of this would in some measure depend on the abundance or scarcity of it in the country paying. Where there was but little, it either would not be procurable at all, or it would cost a premium to obtain it; which, in every case of a competition with others in a branch of trade, would constitute a deduction from the profits of the party receiving. Perhaps, too, the embarrassments which

such a circumstance might sometimes create in the pecuniary liquidation of balances, might lead to additional efforts to find a substitute in commodities, and might so far impede the introduction of the metals. Neither could the exclusion of either of them be deemed, in other respects, favourable to commerce. It is often in the course of trade as desirable to possess the kind of money, as the kind of commodities, best adapted to a foreign market.

It seems, however, most probable, that the chief, if not the sole effect of such a regulation, would be to diminish the utility of one of the metals. It could hardly prove an obstacle to the introduction of that which was excluded, in the natural course of trade; because it would always command a ready sale for the purpose of exportation to foreign markets. But such an effect, if the only one, is not to be regarded as a trivial inconvenience.

If, then, the unit ought not to be attached exclusively to either of the metals, the proportion which ought to subsist between them in the coins, becomes a preliminary inquiry, in order to its proper adjustment. This proportion appears to be, in several views, of no inconsiderable moment.

One consequence of overvaluing either metal, in respect to the other, is the banishment of that which is undervalued. If two countries are supposed, in one of which the proportion of gold to silver is as 1 to 16, in the other as 1 to 15, gold being worth more, silver less, in one than in the other; it is manifest, that in their reciprocal payments, each will select that species which it values least, to pay to the other where it is valued most. Besides this, the dealers in money will, from the same cause, often find a profitable traffic in an exchange of the metals between

the two countries. And hence, it would come to pass, if other things were equal, that the greatest part of the gold would be collected in one, and the greatest part of the silver in the other. The course of trade might in some degree counteract the tendency of the difference in the legal proportions by the market value; but this is so far and so often influenced by the legal rates, that it does not prevent their producing the effect which is inferred. Facts, too, verify the inference. In Spain and England, where gold is rated higher than in other parts of Europe, there is a scarcity of silver; while it is found to abound in France and Holland, where it is rated higher in proportion to gold, than in the neighbouring nations. And it is continually flowing from Europe to China and the East-Indies, owing to the comparative cheapness of it in the former, and dearness of it in the latter.

This consequence is deemed by some not very material; and there are even persons, who, from a fanciful predilection to gold, are willing to invite it, even by a higher price. But general utility will best be promoted by a due proportion of both metals. If gold be most convenient in large payments, silver is best adapted to the more minute and ordinary circulation.

But it is to be suspected, that there is another consequence more serious than the one which has been mentioned. This is the diminution of the total quantity of specie which a country would naturally possess.

It is evident, that as often as a country which over-rates either of the metals, receives a payment in that metal, it gets a less actual quantity than it ought

to do, or than it would do, if the rate were a just one.

It is also equally evident, that there will be a continual effort to make payment to it in that species to which it has annexed an exaggerated estimation, wherever it is current at a less proportional value. And it would seem to be a very natural effect of these two causes, not only that the mass of the precious metals in the country in question, would consist chiefly of that kind to which it had given an extraordinary *value*, but that it would be absolutely less, than if they had been duly proportioned to each other.

A conclusion of this sort, however, is to be drawn with great caution. In such matters, there are always some local, and many other particular circumstances, which qualify and vary the operation of general principles, even where they are just; and there are endless combinations very difficult to be analyzed, which often render principles, that have the most plausible pretensions, unsound and delusive.

There ought, for instance, according to those which have been stated, to have been formerly a greater quantity of gold in proportion to silver in the United States, than there has been; because the actual value of gold in this country, compared with silver, was perhaps higher than in any other. But our situation in regard to the West-India islands, into some of which there is a large influx of silver directly from the mines of South-America, occasions an extraordinary supply of that metal, and, consequently, a greater proportion of it in our circulation, than might have been expected from its relative value.

What influence the proportion under consideration may have upon the state of prices, and how far this may counteract its tendency to increase or lessen the quantity of the metals, are points not easy to be developed: and yet they are very necessary to an accurate judgment of the true operation of the thing.

But however impossible it may be to pronounce with certainty, that the possession of a less quantity of specie is a consequence of overvaluing either of the metals, there is enough of probability in the considerations which seem to indicate it, to form an argument of weight against such over-valuation.

A third ill consequence resulting from it is, a greater and more frequent disturbance of the state of the money unit, by a greater and more frequent diversity between the legal and market proportions of the metals. This has not hitherto been experienced in the United States, but it has been experienced elsewhere: and from its not having been felt by us hitherto, it does not follow that this will not be the case hereafter, when our commerce shall have attained a maturity, which will place it under the influence of more fixed principles.

In establishing a proportion between the metals, there seems to be an option of one of two things—

To approach, as nearly as it can be ascertained, the mean or average proportion, in what may be called the commercial world; or,

To retain that which now exists in the United States. As far as these happen to coincide, they will render the course to be pursued more plain and more certain.

To ascertain the first with precision, would require better materials than are possessed, or than could be obtained, without an inconvenient delay.

Sir Isaac Newton, in a representation to the treasury of Great-Britain, in the year 1717, after stating the particular proportions in the different countries of Europe, concludes thus: "By the course of trade and exchange between nation and nation in all Europe, fine gold is to fine silver as  $14\frac{1}{2}$  or 15 to 1."

But however accurate and decisive this authority may be deemed, in relation to the period to which it applies, it cannot be taken, at the distance of more than seventy years, as a rule for determining the existing proportion. Alterations have been since made in the regulations of their coins by several nations; which, as well as the course of trade, have an influence upon the market values. Nevertheless, there is reason to believe, that the state of the matter, as represented by Sir Isaac Newton, is not very remote from its actual state.

In Holland, the greatest *money* market of Europe, gold was to silver, in December, 1789, as 1 to 14.88; and in that of London, it has been for some time past but little different, approaching perhaps something nearer 1 to 15.

It has been seen, that the existing proportion between the two metals in this country, is about as 1 to 15.

It is fortunate, in this respect, that the innovations of the Spanish mint have imperceptibly introduced a proportion so analogous as this is, to that which prevails among the principal commercial nations; as it greatly facilitates a proper regulation of the matter.

This proportion of 1 to 15 is recommended by the particular situation of our trade, as being very nearly that which obtains in the market of Great-Britain, to which nation our specie is principally exported.



A lower rate for either of the metals in our market than in hers, might not only afford a motive the more, in certain cases, to remit in specie, rather than in commodities; but it might, in some others, cause us to pay a greater quantity of it for a given sum, than we should otherwise do. If the effect should rather be to occasion a premium to be given for the metal which was under-rated, this would obviate those disadvantages; but it would involve another, a customary difference between the market and legal proportions, which would amount to a species of disorder in the national coinage.

Looking forward to the payments of interest hereafter to be made to Holland, the same proportion does not appear ineligible. The present legal proportion in the coins of Holland, is stated at one to fourteen and nine-tenths. That of the market, varies somewhat at different times, but seldom very widely from this point.

There can hardly be a better rule, in any country, for the legal, than the market proportion; if this can be supposed to have been produced by the free and steady course of commercial principles. The presumption, in such case, is, that each metal finds its true level, according to its intrinsic utility in the general system of money operations.

But it must be admitted, that this argument in favour of continuing the existing proportion, is not applicable to the state of the coins with us. There have been too many artificial and heterogeneous ingredients; too much want of order, in the pecuniary transactions of this country, to authorize the attributing the effects which have appeared to the regular operations of commerce. A proof of this is to be drawn from the alterations which have happened in

the proportion between the metals merely by the successive degradations of the dollar, in consequence of the mutability of a foreign mint. The value of gold to silver appears to have declined wholly from this cause, from fifteen and six-tenths, to about fifteen to one. Yet as this last proportion, however produced, coincides so nearly with what may be deemed the commercial average, it may be supposed to furnish as good a rule as can be pursued.

The only question seems to be, whether the value of gold ought not to be a little lowered, to bring it to a more exact level with the two markets which have been mentioned. But as the ratio of 1 to 15 is so nearly conformable to the state of those markets, and best agrees with that of our own, it will probably be found the most eligible. If the market of Spain continues to give a higher value to gold, (as it has done in time past,) than that which is recommended, there may be some advantage in a middle station.

A further preliminary to the adjustment of the future money unit, is, to determine what shall be the proportion and composition of alloy in each species of the coins.

The first, by the resolution of the 8th of August, 1786, before referred to, is regulated at one twelfth; or, in other words, at 1 part alloy to 11 parts fine, whether gold or silver; which appears to be a convenient rule, unless there should be some collateral consideration which may dictate a departure from it. Its correspondence, in regard to both metals, is a recommendation of it; because a difference could answer no purpose of pecuniary or commercial utility, and uniformity is favourable to order.

This ratio, as it regards gold, coincides with the proportion, real or professed, in the coins of Portu-

gal, England, France, and Spain. In those of the two former, it is real; in those of the two latter, there is a deduction for what is called *remedy of weight and alloy*, which is in the nature of an allowance to the master of the mint for errors and imperfections in the process; rendering the coin either lighter or baser than it ought to be. The same thing is known in the theory of the English mint, where one-sixth of a carat is allowed. But the difference seems to be, that *there*, it is merely an occasional indemnity within a certain limit, for real and unavoidable errors and imperfections; whereas in the practice of the mints of France and Spain, it appears to amount to a stated and regular deviation from the nominal standard. Accordingly, the real standards of France and Spain are something worse than 22 carats, or 11 parts in 12 fine.

The principal gold coins in Germany, Holland, Sweden, Denmark, Poland, and Italy, are finer than those of England and Portugal in different degrees, from 1 carat and a quarter, to 1 carat and seven-eighths, which last is within one-eighth of a carat of pure gold.

There are similar diversities in the standards of the silver coins of the different countries of Europe. That of Great-Britain is 222 parts fine to 18 alloy:—those of the other European nations vary from that of Great-Britain, as widely as from about 17 of the same parts better, to 75 worse.

The principal reasons assigned for the use of alloy, are the saving of expense in the refining of the metals, (which in their natural state are usually mixed with a portion of the coarser kinds,) and the rendering of them harder, as a security against too great waste by friction or wearing. The first reason drawn

from the original composition of the metals, is strengthened at present by the practice of alloying their coins, which has obtained among so many nations. The reality of the effect to which the last reason is applicable, has been denied, and experience has been appealed to, as proving that the more alloyed coins wear faster than the purer. The true state of this matter may be worthy of future investigation, though first appearances are in favour of alloy. In the mean time, the saving of trouble and expense, are sufficient inducements to following those examples which suppose its expediency. And the same considerations lead to taking as our models those nations with whom we have most intercourse, and whose coins are most prevalent in our circulation. These are Spain, Portugal, England, and France. The relation which the proposed proportion bears to their gold coins, has been explained. In respect to their silver coins, it will not be very remote from the mean of their several standards.

The component ingredients of the alloy in each metal, will also require to be regulated. In silver, copper is the only kind in use, and it is doubtless the only proper one. In gold, there is a mixture of silver and copper; in the English coins, consisting of equal parts, in the coins of some other countries, varying from one-third to two-thirds silver.

The reason of this union of silver with copper is this,—The silver counteracts the tendency of the copper to injure the colour or beauty of the coin, by giving it too much redness, or rather a coppery hue, which a small quantity will produce; and the copper prevents the too great whiteness, which silver alone would confer. It is apprehended, that there are considerations which may render it prudent to

establish by law, that the proportion of silver to copper in the gold coins of the United States, shall not be more than one half, nor less than one-third; vesting a discretion in some proper place, to regulate the matter within those limits, as experience in the execution may recommend.

A third point remains to be discussed, as a prerequisite to the determination of the money unit, which is, whether the expense of coining shall be defrayed by the public, or out of the material itself; or, as it is sometimes stated, whether coinage shall be free, or shall be subject to a duty or imposition? This forms, perhaps, one of the nicest questions in the doctrine of money.

The practice of different nations is dissimilar in this particular. In England, coinage is said to be entirely free; the mint price of the metals in bullion, being the same with the value of them in coin. In France, there is a duty which has been, if it is not now, eight per cent. In Holland, there is a difference between the mint-price, and the value in the coins, which has been computed at .96, or something less than one per cent. upon gold, at 1.48, or something less than one and an half per cent. upon silver. The resolution of the 8th of August, 1786, proceeds upon the idea of a deduction of half per cent. from gold, and of two per cent. from silver, as an indemnification for the expense of coining. This is inferred from a report of the late board of treasury, upon which that resolution appears to have been founded.

Upon the supposition that the expense of coinage ought to be defrayed out of the metals, there are two ways in which it may be effected; one by a reduction of the quantity of fine gold and silver in the

coins; the other by establishing a difference between the value of those metals in the coins, and the mint-price of them in bullion.

The first method appears to the Secretary inadmissible. He is unable to distinguish an operation of this sort, from that of raising the denomination of the coin; a measure which has been disapproved by the wisest men of the nations in which it has been practised, and condemned by the rest of the world. To declare, that a less weight of gold or silver shall pass for the same sum, which before represented a greater weight, or to ordain that the same weight shall pass for a greater sum, are things substantially of one nature. The consequence of either of them, if the change can be realized, is to degrade the money unit; obliging creditors to receive less than their just dues, and depreciating property of every kind. For it is manifest, that every thing would in this case be represented by a less quantity of gold and silver than before.

It is sometimes observed on this head, that though any article of property might in fact be represented by a less actual quantity of pure metal, it would, nevertheless, be represented by something of the same intrinsic value. Every fabric, it is remarked, is worth, intrinsically, the price of the raw material and the expense of fabrication: a truth not less applicable to a piece of coin, than to a yard of cloth.

This position, well founded in itself, is here misapplied. It supposes, that the coins now in circulation, are to be considered as bullion; or, in other words, as a raw material. But the fact is, that the adoption of them as money, has caused them to become the fabric.—It has invested them with the character and office of coins, and has given them a

sanction and efficacy equivalent to that of the stamp of the sovereign. The prices of all our commodities, at home and abroad, and of all foreign commodities in our markets, have found their level, in conformity to this principle. The foreign coins may be *divested* of the privilege they have hitherto been permitted to enjoy, and may of course be *left* to find their value in the market as a raw material. But the quantity of gold and silver in the national coins, corresponding with a given sum, cannot be made less than heretofore, without disturbing the balance of intrinsic value, and making every acre of land, as well as every bushel of wheat, of less actual worth than in time past. If the United States were isolated and cut off from all intercourse with the rest of mankind, this reasoning would not be equally conclusive. But it appears decisive, when considered with a view to the relations which commerce has created between us and other countries.

It is however not improbable, that the effect meditated would be defeated, by a rise of prices proportioned to the diminution of the intrinsic value of the coins. This might be looked for in every enlightened commercial country ; but perhaps in none with greater certainty than in this ; because, in none are men less liable to be the dupes of sounds—in none has authority so little resource for substituting names for things.

A general revolution in prices, though only nominally, and in appearance, could not fail to distract the ideas of the community, and would be apt to breed discontents, as well among all those who live on the income of their money, as among the poorer classes of the people, to whom the necessities of life would seem to have become dearer. In the confu-

sion of such a state of things, ideas of value would not improbably adhere to the old coins; which, from that circumstance, instead of feeling the effect of the loss of their privilege as money, would perhaps bear a price in the market relatively to the new ones, in exact proportion to weight. The frequency of the demand for the metals to pay foreign balances would contribute to this effect.

Among the evils, attendant on such an operation, are these—Creditors both of the public and of individuals would lose a part of their property—public and private credit would receive a wound—the effective revenues of the government would be diminished. There is scarcely any point, in the economy of national affairs, of greater moment than the uniform preservation of the intrinsic value of the money unit. On this the security and steady value of property essentially depend.

The second method, therefore, of defraying the expense of the coinage out of the metals, is greatly to be preferred to the other. This is to let the same sum of money continue to represent in the new coins exactly the same quantity of gold and silver, as it does in those now current—to allow at the mint such a price only for those metals, as will admit of profit just sufficient to satisfy the expense of coinage—to abolish the legal currency of the foreign coins, both in public and private payments—and of course to leave the superior utility of the national coins, for domestic purposes, to operate the difference of market value, which is necessary to induce the bringing of bullion to the mint. In this case, all property and labour will still be represented by the same quantity of gold and silver as formerly; and the only change which will be wrought, will consist in annexing the



office of money exclusively to the national coins; consequently, withdrawing it from those of foreign countries, and suffering them to become, as they ought to be, mere articles of merchandize.

The arguments in favour of a regulation of this kind are—First, That the want of it is a cause of extra expense: there being then no motive of individual interest to distinguish between the national coins and bullion, they are, it is alleged, indiscriminately melted down for domestic manufactures, and exported for the purposes of foreign trade; and it is added, that when the coins become light by wearing, the same quantity of fine gold or silver bears a higher price in bullion than in the coins; in which state of things, the melting down of the coins to be sold as bullion is attended with profit; and from both causes the expense of the mint, or in other words, the expense of maintaining the specie capital of the nation, is materially augmented.

Secondly—That the existence of such a regulation promotes a favourable course of exchange, and benefits trade, not only by that circumstance, but by obliging foreigners, in certain cases, to pay dearer for domestic commodities, and to sell their own cheaper.

As far as relates to the tendency of a free coinage to produce an increase of expense, in the different ways that have been stated, the argument must be allowed to have foundation, both in reason and in experience. It describes what has been exemplified in Great-Britain.

The effect of giving an artificial value to bullion, is not at first sight obvious; but it actually happened at the period immediately preceding the late reformation in the gold coin of the country just named.

A pound troy in gold bullion of standard fineness, was then from 19s. 6d. to 25s. sterling dearer than an equal weight of guineas, as delivered at the mint. The phenomenon is thus accounted for—The old guineas were more than two per cent. lighter than their *standard weight*. This *weight*, therefore, in bullion, was truly worth two per cent. more, than those guineas. It consequently had, in respect to them, a correspondent rise in the market.

And as guineas were then current by *tale*, the new ones, as they issued from the mint, were confounded in circulation with the old ones; and by the association were depreciated below the intrinsic value in comparison with bullion. It became, of course, a profitable traffic to sell bullion for coin, to select the light pieces and re-issue them in currency, and to melt down the heavy ones and sell them again as bullion. This practice, besides other inconveniences, cost the government large sums in the renewal of the coins.

But the remainder of the argument stands upon ground far more questionable. It depends upon very numerous and very complex combinations; in which there is infinite latitude for fallacy and error.

The most plausible part of it is that which relates to the course of exchange. Experience, in France, has shown, that the market price of bullion has been influenced by the mint difference between that and coin; sometimes to the full extent of the difference; and it would seem to be a clear inference, that whenever that difference materially exceeded the charges of remitting bullion from the country where it existed to another, in which coinage was free, exchange would be in favour of the former.

If, for instance, the balance of trade between

France and England were at any time equal, their merchants would naturally have reciprocal payments to make to an equal amount; which as usual would be liquidated by means of bills of exchange. If, in this situation, the difference between coin and bullion should be in the market, as at the mint of France, eight per cent.; if, also, the charges of transporting money from France to England should not be above two per cent.; and if exchange should be at par, it is evident, that a profit of six per cent. might be made, by sending bullion from France to England, and drawing bills for the amount. One hundred louis d'ors in coin would purchase the weight of 108 in bullion; one hundred of which remitted to England would suffice to pay a debt of an equal amount: and two being paid for the charges of insurance and transportation, there would remain six for the benefit of the person who should manage the negotiation. But as so large a profit could not fail to produce competition, the bills in consequence of this would decrease in price, till the profit was reduced to the *minimum* of an adequate recompense for the trouble and risk. And as the amount of 100 louis d'ors in England, might be afforded for 96 in France, with a profit of more than one and an half per cent. bills upon England might fall in France to 4 per cent. below par; one per cent. being a sufficient profit to the exchanger or broker, for the management of the business.

But it is *admitted*, that this advantage is lost when the balance of trade is against the nation which imposes the duty in question; because, by increasing the demand for bullion, it brings this to a par with the coins: and it is to be *suspected*, that where commercial principles have their free scope, and are well

understood, the market difference between the metals in coin and bullion, will seldom approximate to that of the mint, if the latter be considerable. It must be not a little difficult to keep the money of the world, which can be employed to an equal purpose in the commerce of the world, in a state of degradation in comparison with the money of a particular country.

This alone would seem sufficient to prevent it: whenever the price of coin to bullion in the market materially exceeded the par of the metals, it would become an object to send the bullion abroad; if not to pay a foreign balance, to be invested in some other way in foreign countries, where it bore a superior value: an operation, by which immense fortunes might be amassed, if it were not that the exportation of the bullion would of itself restore the intrinsic par. But as it would naturally have this effect, the advantage supposed, would contain in itself the principle of its own destruction. As long, however, as the exportation of bullion could be made with profit, which is as long as exchange could remain below par, there would be a drain of the gold and silver of the country.

If any thing can maintain, for a length of time, a material difference between the value of the metals in coin and in bullion, it must be a constant and considerable balance of trade in favour of the country in which it is maintained. In one situated like the United States, it would, in all probability, be a hopeless attempt. The frequent demand for gold and silver to pay balances to foreigners, would tend powerfully to preserve the equilibrium of intrinsic value.

The prospect is, that it would occasion foreign coins to circulate by common consent, nearly at par with the national.

To say, that as far as the effect of lowering exchange is produced, though it be only occasional and momentary, there is a benefit the more thrown into the scale of public prosperity, is not satisfactory. It has been seen, that it may be productive of one evil, the investment of a part of the national capital in foreign countries; which can hardly be beneficial, but in a situation like that of the United Netherlands, where an immense capital, and a decrease of internal demand, render it necessary to find employment for money in the wants of other nations; and, perhaps, on a close examination, other evils may be descried.

One allied to that which has been mentioned, is this—Taking France, for the sake of more concise illustration, as the scene. Whenever it happens that French louis d'ors are sent abroad, from whatever cause, if there be a considerable difference between coin and bullion in the market of France, it will constitute an advantageous traffic to send back these louis d'ors, and bring away bullion in lieu of them; upon all of which exchanges, France must sustain an actual loss of a part of its gold and silver.

Again, such a difference between coin and bullion may tend to counteract a favourable balance of trade. Whenever a foreign merchant is the carrier of his own commodities to France for sale, he has a strong inducement to bring back specie instead of French commodities; because a return in the latter may afford no profit; may even be attended with loss: in the former, it will afford a certain profit. The same principle must be supposed to operate in the general course of remittances from France to other countries.

The principal question with a merchant naturally is, In what manner can I realize a given sum with most advantage, where I wish to place it? And, in cases in which other commodities are not likely to produce equal profit with bullion, it may be expected that this will be preferred; to which the greater certainty attending the operation, must be an additional incitement. There can hardly be imagined a circumstance less friendly to trade, than the existence of an extra inducement arising from the possibility of a profitable speculation upon the articles themselves, to export from a country its gold and silver, rather than the products of its land and labour.

The other advantages supposed, of obliging foreigners to pay dearer for domestic commodities, and to sell their own cheaper, are applied to a situation which includes a favourable balance of trade. It is understood in this sense—The prices of domestic commodities, (such at least as are peculiar to the country,) remain attached to the denominations of the coins. When a favourable balance of trade realizes in the market the mint difference between coin and bullion; foreigners, who must pay in the latter, are obliged to give more of it for such commodities, than they otherwise would do. Again, the bullion which is now obtained at a cheaper rate in the home market, will procure the same quantity of goods in the foreign market as before; which is said to render foreign commodities cheaper. In this reasoning, much fallacy is to be suspected. If it be true, that foreigners pay more for domestic commodities, it must be equally true, that they get more for their own, when they bring them themselves to market. If peculiar, or other domestic commodities, adhere to the denominations of the coins, no reason occurs

why foreign commodities of a like character should not do the same thing. And in this case, the foreigner, though he receive only the same value in coin for his merchandize as formerly, can convert it into a greater quantity of bullion. Whence the nation is liable to lose more of its gold and silver, than if their intrinsic value, in relation to the coins, were preserved. And whether the gain or the loss will on the whole preponderate, would appear to depend on the comparative proportion of active commerce of the one country with the other.

It is evident, also, that the nation must pay as much gold and silver as before, for the commodities which it procures *abroad*; and whether it obtains this gold and silver cheaper, or not, turns upon the solution of the question just intimated, respecting the relative proportion of active commerce between the two countries.

Besides these considerations, it is admitted in the reasoning, that the advantages supposed, which depend on a favourable balance of trade, have a tendency to affect that balance disadvantageously. Foreigners, it is allowed, will, in this case, seek some other vent for their commodities, and some other market where they can supply their wants at an easier rate. A tendency of this kind, if real, would be a sufficient objection to the regulation. Nothing which contributes to change a beneficial current of trade, can well compensate, by particular advantages, for so injurious an effect. It is far more easy to transfer trade from a less to a more favourable channel, than when once transferred, to bring it back to its old one. Every source of artificial interruption to an advantageous current is, therefore, cautiously to be avoided.

It merits attention, that the able minister, who lately and so long presided over the finances of France, does not attribute to the duty of coinage, in that country, any particular advantages, in relation to exchange and trade. Though he rather appears an advocate for it, it is on the sole ground of the revenue it affords, which he represents as in the nature of a very moderate duty on the general mass of exportation.

And it is not improbable, that to the singular felicity of situation of that kingdom, is to be attributed its not having been sensible of the evils which seem incident to the regulation. There is, perhaps, no part of Europe, which has so little need of other countries, as France. Comprehending a variety of soils and climates, an immense population, its agriculture in a state of mature improvement, it possesses within its own bosom, most, if not all, the productions of the earth, which any of its most favoured neighbours can boast. The variety, abundance, and excellence of its wines, constitute a peculiar advantage in its favour. Arts and manufactures are there also in a very advanced state—some of them of considerable importance, in higher perfection than elsewhere. Its contiguity to Spain; the intimate nature of its connexion with that country; a country with few fabrics of its own, consequently numerous wants, and the principal receptacle of the treasures of the new world. These circumstances concur, in securing to France so uniform, and so considerable a balance of trade, as in a great measure to counteract the natural tendency of any errors, which may exist in the system of her mint; and to render inferences from the operation of that system there, in reference to this country, more liable to mislead, than to instruct,



Nor ought it to pass unnoticed, that with all these advantages, the government of France has found it necessary, on some occasions, to employ very violent methods to compel the bringing of bullion to the mint; a circumstance which affords a strong presumption of the inexpediency of the regulation, and of the impracticability of executing it in the United States.

This point has been the longer dwelt upon, not only because there is a diversity of opinion among speculative men concerning it, and a diversity in the practice of the most considerable commercial nations; but because the acts of our own government, under the confederation, have not only admitted the expediency of defraying the expense of coinage out of the metals themselves; but upon this idea have both made a deduction from the weight of the coins, and established a difference between their regulated value and the mint price of bullion, greater than would result from that deduction. This double operation in favour of a principle so questionable in itself, has made a more particular investigation of it a duty.

The intention, however, of the preceding remarks, is rather to show, that the expectation of commercial advantages ought not to decide in favour of a duty of coinage, and that if it should be adopted, it ought not to be in the form of a deduction from the intrinsic value of the coins—than absolutely to exclude the idea of any difference, whatever, between the value of the metals in coin and in bullion. It is not clearly discerned, that a small difference between the mint price of bullion, and the regulated value of the coins, would be pernicious, or that it might not even be advisable, in the first instance, by

way of experiment, merely as a preventive to the melting down and exportation of the coins. This will now be somewhat more particularly considered.

The arguments for a coinage entirely free, are, that it preserves the intrinsic value of the metals; that it makes the expense of fabrication a general, instead of a partial, tax; and that it tends to promote the abundance of gold and silver, which it is alleged will flow to that place, where they find the best price; and from that place, where they are in any degree undervalued.

The first consideration has not much weight, as an objection to a plan, which, without diminishing the quantity of metals, in the coins, merely allows a less price for them in bullion at the national factory or mint. No rule of intrinsic value is violated, by considering the raw material as worth less than the fabric, in proportion to the expense of fabrication. And by divesting foreign coins of the privilege of circulating as money, they become the raw material.

The second consideration has perhaps greater weight. But it may not amount to an objection, if it be the best method of preventing disorders in the coins, which it is, in a particular manner, the interest of those on whom the tax would fall, to prevent. The practice of taking gold by weight, which has of late years obtained in Great-Britain, has been found, in some degree, a remedy; but this is inconvenient, and may on that account fall into disuse. Another circumstance has had a remedial operation: this is, the delays of the mint. It appears to be the practice there, not to make payment for the bullion which is brought to be exchanged for coin, till it either has in fact, or is pretended to have undergone, the process of recoinage.

The necessity of fulfilling prior engagements, is a cause or pretext for postponing the delivery of the coin in lieu of the bullion. And this delay creates a difference in the market price of the two things. Accordingly, for some years past, an ounce of standard gold, which is worth in coin, £.3 17 10<sup>1</sup>/<sub>2</sub> sterling, has been in the market of London, in bullion, only £.3 17 6, which is within a small fraction of one half per cent. less. Whether this be management in the mint to accommodate the bank in the purchase of bullion, or to effect indirectly something equivalent to a formal difference of price; or whether it be the natural course of the business, is open to conjecture.

It, at the same time, indicates, that if the mint were to make prompt payment, at about half per cent. less than it does at present, the state of bullion, in respect to coin, would be precisely the same as it now is. And it would be then certain, that the government would save expense in the coinage of gold; since it is not probable, that the time actually lost in the course of the year in converting bullion into coin, can be an equivalent to half per cent. on the advance; and there will generally be at the command of the treasury, a considerable sum of money, waiting for some periodical disbursement, which, without hazard, might be applied to that advance.

In what sense a free coinage can be said to promote the abundance of gold and silver, may be inferred from the instances, which have been given of the tendency of a contrary system to promote their exportation. It is, however, not probable, that a very small difference of value between coin and bullion can have any effect, which ought to enter into calculation. There can be no inducement of positive pro-

fit, to export the bullion, as long as the difference of price is exceeded by the expense of transportation. And the prospect of smaller loss upon the metals, than upon commodities, when the difference is very minute, will be frequently over-balanced by the possibility of doing better with the latter, from a rise of markets. It is at any rate certain, that it can be of no consequence, in this view, whether the superiority of coin to bullion in the market, be produced, as in England, by the delay of the mint, or by a formal discrimination in the regulated values.

Under an impression that a *small* difference between the value of the coin, and the mint price of bullion, is the least exceptionable expedient for restraining the melting down, or exportation of the former, and not perceiving, that if it be a very moderate one, it can be hurtful in other respects—the Secretary is inclined to an experiment of one half per cent. on each of the metals. The fact, which has been mentioned, with regard to the price of gold bullion in the English market, seems to demonstrate that such a difference may safely be made. In this case there must be immediate payment for the gold and silver offered to the mint. How far one half per cent. will go towards defraying the expense of the coinage, cannot be determined beforehand with accuracy. It is presumed, that on an economical plan, it will suffice in relation to gold. But it is not expected, that the same rate on silver, will be sufficient to defray the expense attending that metal. Some additional provision may therefore be found necessary, if this limit be adopted.

It does not seem to be advisable, to make any greater difference in regard to silver than to gold : because it is desirable, that the proportion between the two

metals, in the market, should correspond with that in the coins; which would not be the case, if the mint price of one was comparatively lower than that of the other; and because also silver, being proposed to be rated in respect to gold, somewhat below its general commercial value, if there should be a disparity, to its disadvantage, in the mint prices of the two metals, it would obstruct too much the bringing of it to be coined, and would add an inducement to export it. Nor does it appear to the Secretary safe, to make a greater difference, between the value of coin and bullion than has been mentioned. It will be better to have to increase it hereafter, if this shall be found expedient, than to have to recede from too considerable a difference in consequence of evils which shall have been experienced.

It is sometimes mentioned as an expedient, which, consistently with a free coinage, may serve to prevent the evils desired to be avoided—to incorporate in the coins a greater proportion of alloy than is usual; regulating their value, nevertheless, according to the quantity of pure metal they contain. This, it is supposed, by adding to the difficulty of refining them, would cause bullion to be preferred, both for manufacture and exportation.

But strong objections lie against this scheme;—An augmentation of expense;—an actual depreciation of the coin;—a danger of still greater depreciation in the public opinion;—the facilitating of counterfeits: while it is questionable, whether it would have the effect expected from it.

The alloy being esteemed of no value, an increase of it is evidently an increase of expense. This, in relation to the gold coins particularly, is a matter of moment. It has been noted, that the alloy in them

consists partly of silver. If to avoid expense, the addition should be of copper only, this would spoil the appearance of the coin, and give it a base countenance. Its beauty would indeed be injured, though in a less degree, even if the usual proportions of silver and copper should be maintained in the increased quantity of alloy.

And however inconsiderable an additional expenditure of copper in the coinage of a year may be deemed, in a series of years it would become of consequence. In regulations which contemplate the lapse and operation of ages, a very small item of expense acquires importance.

The actual depreciation of the coin, by an increase of alloy, results from the very circumstance which is the motive to it—the greater difficulty of refining. In England, it is customary for those concerned in manufactures of gold, to make a deduction in the price, of four pence sterling per ounce, of fine gold, for every carat which the mass containing it is below the legal standard. Taking this as a rule, an inferiority of a single carat, or one twenty-fourth part, in the gold coins of the United States, compared with the English standard, would cause the *same quantity* of pure gold in them to be worth nearly four-tenths per cent. less than in the coins of Great-Britain. This circumstance would be likely, in process of time, to be felt in the market of the United States.

A still greater depreciation, in the public opinion, would be to be apprehended from the *apparent* debasement of the coin. The effects of imagination and prejudice cannot safely be disregarded, in any thing that relates to money.—If the beauty of the coin be impaired, it may be found difficult to satisfy

the generality of the community, that what appears worse is not really less valuable; and it is not altogether certain, that an impression of its being so, may not occasion an unnatural augmentation of prices.

Greater danger of imposition by counterfeits, is also to be apprehended from the injury which will be done to the appearance of the coin. It is a just observation, that "the perfection of the coins is a great safe-guard against counterfeits." And it is evident, that the colour, as well as the excellence of the workmanship, is an ingredient in that perfection. The intermixture of too much alloy, particularly of copper, in the gold coins at least, must materially lessen the facility of distinguishing by the eye, the purer from the baser kind; the genuine from the counterfeit.

The inefficacy of the arrangement to the purpose intended to be answered by it, is rendered probable by different considerations. If the standard of plate in the United States should be regulated according to that of the national coins, it is to be expected, that the goldsmith would prefer these to the foreign coins; because he would find them prepared to his hand, in the state which he desires; whereas he would have to *expend* an additional quantity of alloy to bring the foreign coins to that state. If the standard of plate, by law or usage, should be superior to that of the national coins, there would be a possibility of the foreign coins bearing a higher price in the market; and this would not only obstruct their being brought to the mint, but might occasion the exportation of the national coin in preference. It is not understood, that the practice of making an abatement of price for the inferiority of standard, is appli-

cable to the English mint; and if it be not, this would also contribute to frustrating the expected effect from the increase of alloy. For, in this case, a given quantity of pure metal, in our standard, would be worth as much there as in bullion of the English, or any other standard.

Considering, therefore, the uncertainty of the success of the expedient, and the inconveniences which seem incident to it, it would appear preferable to submit to those of a free coinage. It is observable, that additional expense, which is one of the principal of these, is also applicable to the proposed remedy.

It is now proper to resume and finish the answer to the first question; in order to which the three succeeding ones have necessarily been anticipated. The conclusion to be drawn from the observations which have been made on the subject, is this—That the unit, in the coins of the United States, ought to correspond with 24 grains and three-fourths of a grain of pure gold, and with 371 grains and one-fourth of a grain of pure silver, each answering to a dollar in the money of account. The former is exactly agreeable to the present value of gold, and the latter is within a small fraction of the mean of the two last emissions of dollars; the only ones which are now found in common circulation, and of which the newest is in the greatest abundance. The alloy in each case to be one-twelfth of the total weight, which will make the unit 27 grains of standard gold, and 405 grains of standard silver.

Each of these, it has been remarked, will answer to a dollar in the money of account. It is conceived, that nothing better can be done, in relation to this, than to pursue the track marked out by the resolution



of the 8th of August, 1786. This has been approved abroad, as well as at home, and it is certain, that nothing can be more simple or convenient, than the decimal subdivisions. There is every reason to expect that the method will speedily grow into general use, when it shall be seconded by corresponding coins. On this plan, the unit in the money of account will continue to be, as established by that resolution, a dollar; and its multiples, dimes, cents, and milles; or tenths, hundredths, and thousandths.

With regard to the number of different pieces which shall compose the coins of the United States, two things are to be consulted—convenience of circulation, and cheapness of the coinage. The first ought not to be sacrificed to the last; but as far as they can be reconciled to each other, it is desirable to do it. Numerous and small, (if not too minute,) subdivisions assist circulation; but the multiplication of the smaller kinds increases expense; the same process being necessary to a small, as to a large piece.

As it is easy to add, it will be most adviseable to begin with a small number, till experience shall decide whether any other kinds are necessary. The following, it is conceived, will be sufficient in the commencement.

One gold piece, equal in weight and value to ten units, or dollars.

One gold piece, equal to a tenth part of the former, and which shall be a unit, or dollar.

One silver piece, which shall also be a unit, or dollar.

One silver piece, which shall be in weight and value a tenth part of the silver unit, or dollar.

One copper piece, which shall be of the value of a hundredth part of a dollar.

One other copper piece, which shall be half the value of the former.

It is not proposed that the lightest of the two gold coins should be numerous ; as in large payments, the larger the pieces, the shorter the process of counting, the less the risk of mistake, and consequently the greater the safety and the convenience: and in small payments, it is not perceived, that any inconvenience can accrue from an entire dependence on the silver and copper coins. The chief inducement to the establishment of the small gold piece, is to have a sensible object in that metal, as well as in silver, to express the unit. Fifty thousand at a time in circulation, may suffice for this purpose.

The tenth part of a dollar is but a small piece, and with the aid of the copper coins, will probably suffice for all the more minute uses of circulation. It is less than the least of the silver coins now in general currency in England.

The largest copper piece will nearly answer to the half-penny sterling, and the smallest, of course, to the farthing. Pieces of very small value are a great accommodation, and the means of a beneficial economy to the poor ; by enabling them to purchase in small portions, and at a more reasonable rate, the necessaries of which they stand in need. If there are only cents, the lowest price for any portion of a vendible commodity, however inconsiderable in quantity, will be a cent ; if there are half-cents, it will be a half-cent ; and, in a great number of cases, exactly the same things will be sold for a half-cent, which if there were none, would cost a cent. But a half-

cent is low enough for the *minimum* of price. Excessive minuteness would defeat its object. To enable the poorer classes to procure necessities cheap, is to enable them, with more comfort to themselves, to labour for less; the advantages of which need no comment.

The denominations of the silver coins contained in the resolution of the 8th of August, 1786, are conceived to be significant and proper. The dollar is recommended by its correspondency with the present coin of that name, for which it is designed to be a substitute; which will facilitate its ready adoption as such in the minds of the citizens. The disme or tenth, the cent or hundredth, the mille or thousandth are proper, because they express the proportions which they are intended to designate. It is only to be regretted, that the meaning of these terms will not be familiar to those who are not acquainted with the language from which they are borrowed. It were to be wished, that the length, and, in some degree, the clumsiness of some of the corresponding terms in English, did not discourage from preferring them. It is useful to have names which signify the things to which they belong; and, in respect to objects of general use, in a manner intelligible to all. Perhaps it might be an improvement to let the dollar have the appellation either of dollar or unit, (which last will be the most significant,) and to substitute "tenth" for disme. In time, the unit may succeed to the dollar. The word cent being in use in various transactions and instruments, will, without much difficulty, be understood as the hundredth; and the half-cent, of course, as the two hundredth part.

The eagle is not a very expressive or apt appellation for the largest gold piece, but nothing better occurs. The smallest of the two gold coins may be called the dollar or unit, in common with the silver piece with which it coincides.

The volume or size of each piece is a matter of more consequence than its denomination. It is evident, that the more superficies or surface, the more the piece will be liable to be injured by friction; or, in other words, the faster it will wear. For this reason, it is desirable to render the thickness as great, in proportion to the breadth, as may consist with neatness and good appearance. Hence the form of the double guinea or double louis d'or is preferable to that of the half johannes, for the large gold piece. The small one cannot well be of any other size than the Portuguese piece of eight of the same metal.

As it is of consequence to fortify the idea of the identity of the dollar, it may be best to let the form and size of the new one, as far as the quantity of matter, (the alloy being less,) permits, agree with the form and size of the present. The diameter may be the same.

The tenths may be in a mean between the Spanish one-eighth and one-sixteenth of a dollar.

The copper coins may be formed merely with a view to good appearance, as any difference in the wearing that can result from difference of form, can be of little consequence in reference to that metal.

It is conceived, that the weight of the cent may be eleven penny-weight; which will about correspond with the value of the copper and the expense of coinage. This will be to conform to the rule of intrinsic value, as far as regard to the convenient size of the coins will permit; and the deduction of the

expense of coinage in this case will be the more proper, as the copper coins, which have been current hitherto, have passed till lately for much more than their intrinsic value. Taking the weight, as has been suggested, the size of the cent may be nearly that of the piece herewith transmitted, which weighs 10dwt. 11grs. 10m. Two thirds of the diameter of the cent, will suffice for the diameter of the half cent.

It may, perhaps, be thought expedient, according to general practice, to make the copper coinage an object of profit; but where this is done to any considerable extent, it is hardly possible to have effectual security against counterfeits. This consideration, concurring with the soundness of the principle of preserving the intrinsic value of the money of a country, seems to outweigh the consideration of profit.

The foregoing suggestions, respecting the sizes of the several coins, are made on the supposition, that the legislature may think fit to regulate this matter. Perhaps, however, it may be judged not unadvisable to leave it to executive discretion.

With regard to the proposed size of the cent, it is to be confessed, that it is rather greater than might be wished, if it could with propriety and safety be made less. And should the value of copper continue to decline as it has done for some time past, it is very questionable, whether it will long remain alone a fit metal for money. This has led to a consideration of the expediency of uniting a small proportion of silver with the copper, in order to be able to lessen the bulk of the inferior coins. For this there are precedents in several parts of Europe. In France, the composition which is called *billion*, has consisted

of one part silver and four parts copper; according to which proportion, a cent might contain seventeen grains; defraying out of the material the expense of coinage. The conveniency of size is a recommendation of such a species of coin; but the Secretary is deterred from proposing it by the apprehension of counterfeits. The effect of so small a quantity of silver, in comparatively so large a quantity of copper, could easily be imitated by a mixture of other metals of little value, and the temptation to doing it would not be inconsiderable.

The devices of the coins are far from being matters of indifference, as they may be made the vehicles of useful impressions. They ought, therefore, to be emblematical, but without losing sight of simplicity. The fewer sharp points and angles there are, the less will be the loss by wearing. The Secretary thinks it best, on this head, to confine himself to these concise and general remarks.

The last point to be discussed, respects the currency of foreign coins.

The abolition of this, in proper season, is a necessary part of the system contemplated for the national coinage. But this it will be expedient to defer till some considerable progress has been made in preparing substitutes for them. A gradation may therefore be found most convenient.

The foreign coins may be suffered to circulate precisely upon their present footing for one year after the mint shall have commenced its operations. The privilege may then be continued for another year to the gold coins of Portugal, England, and France, and to the silver coins of Spain. And these may still be permitted to be current for one year more, at the rates allowed to be given for them at the mint; af-

ter the expiration of which the circulation of all foreign coins to cease.

The monies which will be paid into the treasury during the first year being recoinced before they are issued anew, will afford a partial substitute before any interruption is given to the pre-existing supplies of circulation. The revenues of the succeeding year, and the coins which will be brought to the mint, in consequence of the discontinuance of their currency, will materially extend the substitute in the course of that year, and its extension will be so far increased during the third year, by the facility of procuring the remaining species ~~to be recoinced~~, which will arise from the diminution of their current values, as probably to enable the dispensing wholly with the circulation of the foreign coins, after that period. The progress which the currency of bank bills will be likely to have made during the same time, will also afford a substitute of another kind.

This arrangement, besides avoiding a sudden stagnation of circulation, will cause a considerable proportion of whatever loss may be incident to the establishment, in the first instance, to fall, as it ought to do, upon the government, and will probably tend to distribute the remainder of it more equally among the community.

It may, nevertheless, be advisable, in addition to the precautions here suggested, to repose a discretionary authority in the President of the United States, to continue the currency of the Spanish dollar at a value corresponding with the quantity of fine silver contained in it, beyond the period above mentioned for the cessation of the circulation of the foreign coins. It is possible that an exception in favour of this particular species of coin may be found

expedient: and it may tend to obviate inconveniences, if there be a power to make the exception in a capacity to be exerted when the period shall arrive. The Secretary for the department of State, in his report to the House of Representatives on the subject of establishing a uniformity in the weights, measures, and coins of the United States, has proposed that the weight of the dollar should correspond with the unit of weight. This was done on the supposition that it would require but a very small addition to the quantity of metal which the dollar, independently of the object he had in view, ought to contain; in which he was guided by the resolution of the 8th of August, 1786—fixing the dollar at 375 grains and 64 hundredths of a grain.

Taking this as the proper standard of the dollar, a small alteration, for the sake of incorporating so systematic an idea, would appear desirable. But if the principles which have been reasoned from in this report are just, the execution of that idea becomes more difficult. It would certainly not be advisable to make, on that account, so considerable a change in the money unit, as would be produced by the addition of five grains of silver to the proper weight of the dollar, without a proportional augmentation of its relative value: and to make such an augmentation would be to abandon the advantage of preserving the identity of the dollar; or, to speak more accurately, of having the proposed one received and considered as a mere substitute for the present.

The end may, however, be obtained without either of those inconveniences, by increasing the proportion of alloy in the silver coins. But this would destroy the uniformity, in that respect, between the gold and silver coins. It remains, therefore, to elect



which of the two systematic ideas shall be pursued or relinquished. And it may be remarked, that it will be more easy to convert the present silver coins into the proposed ones, if these last have the same or nearly the same, proportion of alloy, than if they have less.

The organization of the mint yet remains to be considered.

This relates to the persons to be employed, and to the services which they are respectively to perform. It is conceived that there ought to be,

A Director of the Mint, to have the general superintendence of the ~~business~~—

An Assay-Master or Assayer, to receive the metals brought to the mint, ascertain their fineness, and deliver them to be coined.

A Master Coiner, to conduct the making of the coins.

A Cashier, to receive and pay them out.

An Auditor, to keep and adjust the accounts of the mint.

Clerks, as many as the directors of the mint shall deem necessary, to assist the different officers.

Workmen, as many as may be found requisite.

A Porter.

In several of the European mints, there are various other officers, but the foregoing are those only, who appear to be indispensable. Persons in the capacity of clerks will suffice instead of the others, with the advantage of greater economy.

The number of workmen is left indefinite, because at certain times it is requisite to have more than at others. They will, however, never be numerous. The expense of the establishment, in an ordinary

year, will probably be from fifteen to twenty thousand dollars.

The remedy for errors in the weight and alloy of the coins must necessarily form a part in the system of a mint ; and the manner of applying it will require to be regulated. The following account is given of the practice in England in this particular.

A certain number of pieces are taken promiscuously out of every fifteen pounds of gold coined at the mint, which are deposited for safe keeping in a strong box called the *pix*. This box, from time to time, is opened in the presence of the lord chancellor, the officers of the treasury, and others ; and portions are selected from the pieces of each coinage, which are melted together, and the mass assayed by a jury of the company of goldsmiths. If the imperfection and deficiency, both in fineness and weight, fall short of a sixth of a carat or 40 grains of pure gold upon a pound of standard, the master of the mint is held excusable ; because it is supposed that no workman can reasonably be answerable for greater exactness. The expediency of some similar regulation seems to be manifest.

All which is humbly submitted.

ALEXANDER HAMILTON,

*Secretary of the Treasury.*